



DEPARTMENT OF THE AIR FORCE
HEADQUARTERS UNITED STATES AIR FORCE
WASHINGTON 25, D. C.

DPD-2961-59

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REPLY TO:

Auditor General
Comptroller, USAF
Eastern District
Liaison Office
P.O. Box 8155, S.W. Station
Washington, D. C.

5 May 1959

SUBJECT: Report on Survey of Accounting System
Lockheed Aircraft Corporation
Missiles and Space Division
[redacted] California

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TO : Contracting Officer

1. General Comment: The Contractor's accounting system is considered generally adequate for determining costs of subject contract except as indicated in the following paragraphs.

2. Price Redetermination Cut-off Point: Recurring and non-recurring costs are comingled in cost records and no segregation exists between costs of material on hand and material consumed in production. For this reason reasonably dependable cost projections are considered impracticable. It is recommended that contract prices be redetermined upon completion of contract.

3. Indirect Costs: Overhead items such as building rental, equipment rental, utilities, telephone and telegraph, expense supplies, material used for tests, plant rearrangement, and several others are included in the "direct charges" portion of work order costs as well as in the apportionment of Contractor's division overhead to subject project. The Contractor's accounting manager agrees that subject project should not receive division overhead allocation at as great a rate as other projects, but has no information available to indicate what the rate should be. He suggests that this can be settled in price redetermination negotiations. It is recommended that the contractor be required to justify any allocation of division overhead to subject project and that the contracting parties agree on such allocation before price redetermination negotiations.


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#439
Page 2

4. Petty Cash Fund: The "direct charges" portion of work order costs includes charges for amount of the petty cash fund, cash advanced to employees for travel expenses, as well as petty cash expenditures. The auditor discussed this situation with the Contractor's accountant suggesting that the amount of the fund as well as cash advances be segregated from work order costs. The accountant agreed with this suggestion and stated that the amounts would be segregated so that starting with June 1959 progress payment requests would no longer include them. It was also noted that receipts supporting petty cash expenditures bear no markings to indicate that fund has been reimbursed for such expenditures. It is recommended that Contractor mark receipts with the number of the reimbursement check thus identifying receipts with reimbursement and preventing their reuse.

5. Surplus, Obsolete, and Scrap Material: No stock records, perpetual inventory records, or other material control records are maintained. Presumably surplus, obsolete, and scrap material will remain on hand until completion of project. It is recommended that surplus, obsolete, and scrap material be physically segregated and recorded by the Contractor when so declared, and that the Contracting Officer be kept informed of such material for appropriate action.



Audit Liaison Officer
Eastern District
Auditor General

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